

California Actuarial Advisory Panel

**Minutes of
November 8, 2011**

**Locations:
State Controller's Office
300 Capitol Mall, 6th Floor, Room 635
Sacramento, CA 95814**

1. Call to Order

Chair Milligan called the meeting to order at 9:30 AM and called the roll.

Present: Sacramento: Alan Milligan, Lynn Miller, Leslie Finertie, Rick Reed, John Bartel, Paul Angelo, and Graham Schmidt

Absent: Harold Loeb

Guests: Korene Woodard, CalPERS

SCO Staff: John Hiber, SCO, Chief Operating Officer
Lindsey Ross, Administrative Assistant
Jennifer Urban, Project Liaison
Nancy Valle, SCO, Assistant Division Chief
Shawn Silva, Staff Counsel
Scott Taylor, Fiscal Analyst

2. Oath – Mr. Graham Schmidt

Mr. John Hiber administered the oath of office to Mr. Graham Schmidt.

3. Introductions

The Panelists and SCO staff introduced themselves.

4. Approval of Minutes of the October 8, 2011 Meeting

Mr. Bartel moved and Mr. Angelo seconded to approve the minutes of the October 8, 2011 meeting without amendment. **The motion passed 7-0.**

5. 2011 Work Plan

Mr. Milligan made a suggestion to consolidate the 2011 and 2012 work plans into one single work plan. Mr. Angelo moved and Mr. Bartel seconded to consolidate the work plans to one single CAAP Work Plan. **The motion passed 7-0.**

Mr. Miller inquired about a document related to Item #4 on the 2011 Work Plan. Mr. Angelo stated the inaction on Item #4 was deliberate pending the development of Model Funding Policies in Item #2.

The Panel discussed extending the due date of Item #2. Mr. Angelo moved and Mr. Bartel seconded to extend the deadline to March 2012, and update the work plan for the next meeting. **The motion passed 7-0.**

Mr. Milligan suggested changing the completion date of Item #3 to November 2011. Ms. Finertie moved and Mr. Bartel seconded. **The motion passed 7-0.**

The Panel discussed changing the due date of Item #4 to two months after the completion of Item #2. Mr. Angelo expressed concern that the timeframe cannot be estimated until Item #2 is completed and suggested changing the due date to "Pending." Mr. Bartel motioned and Mr. Reed seconded to change the due date of Item #4 to "Two Months After Completion of Item #2." **The motion passed 6-1, Mr. Angelo voted no.**

The Panel discussed changing the due dates of Items #5-7 to "On-going." Staff was requested to make this change at the direction of the Chair.

The Panel discussed changing the due dates of Items #9-13 to "TBD." Staff was requested to make this change at the direction of the Chair.

The Panel discussed changing the description of Item #14 to "Report to the Legislature per AB 1247" and change the Panel member in charge to the Chair. Also, the Panel discussed pushing the deadline back from June 2011 to June 2012. Staff was requested to make these changes at the direction of the Chair.

6. 2012 Work Plan

The Panel discussed that Items #1-3 were already on the 2011 work plan and would be merged to the new single work plan.

Mr. Schmidt moved and Ms. Finertie seconded to remove Item #4 from the work plan. **The motion passed 7-0.**

7. Request for Support of Investigation into Private Sector Pension Inadequacies

At the request of Mr. Schmidt, the Chair withdraw this item.

8. Developing Disclosure Standards for Public Sector Actuarial Valuation Reports Working Group Update

Mr. Milligan stated that he had not yet sent out the press release or final document. He stated he would work with SCO staff to complete and post these items to the website.

9. Defining the Range of Model Funding Policies and Practices Working Group Update

The Panel went through draft 4a and discussed the two open items from the last meeting, rolling 30-year amortization and direct rate smoothing.

Mr. Milligan called for a break in the meeting at 10:23 AM and resumed the meeting at 10:39 AM.

The Panel continued to discuss the document.

Mr. Schmidt provided comments on his concerns with the document. It was decided that Mr. Schmidt would be moved into the subgroup and Mr. Milligan moved out for the next meeting, in order for the subgroup to discuss the more intricate concerns raised by Mr. Schmidt.

There was a vote to move the policy of "phase-in of cost impact of actuarial experience" from non-recommended to acceptable. The Panel was split 4-3 in favor of moving the policy to acceptable. The Panel decided to wait for Mr. Loeb's opinion before making a decision.

The Panel was also split 4-3 in favor of defining the use of 30-year rolling amortization as an unacceptable practice. The Panel decided to wait for Mr. Loeb's opinion before making a decision.

Further discussion was tabled for the subgroup to discuss.

10. Current Legislation

Mr. Milligan informed the Panel that a joint committee of the Legislature met in Southern California on October 26 to discuss pension reform. Not a lot was accomplished in this meeting. The next meeting will be December 5.

Mr. Milligan stated that two initiatives were filed with the Attorney General for title and summary.

Mr. Reed stated the Legislature will have some upcoming legislation on pension reform.

11. Next Meeting – December 9, 2011 9:30 AM to 12:30 PM.

Mr. Milligan asked staff to solicit the Panel for their availability on either Thursday, January 12 or Friday, January 20 for the next meeting.

12. Public Comment

There was no additional public comment.

13. Adjournment

Ms. Finertie moved and Mr. Schmidt seconded to adjourn the meeting. **The motion passed 7-0, and the Panel adjourned at 12:28 PM.**